

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Claybanks Township</b>	County <b>Oceana</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>7/20/05</b>	Date Accountant Report Submitted to State: <b>9/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hendon &amp; Slate, P.C.</b>			
Street Address <b>711 W Main</b>	City <b>Fremont</b>	State <b>MI</b>	ZIP <b>49412</b>
Accountant Signature <i>Jodi DeKunjen, CPA</i>		Date <b>9/30/05</b>	

**CLAYBANKS TOWNSHIP  
OCEANA COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**CLAYBANKS TOWNSHIP**  
Oceana County

Township Board

	<u>Position</u>
Richard Smith	Supervisor
Mary Freye	Clerk
Brenda Eilers	Treasurer
David Rabe	Trustee
Ed Pankow	Trustee

## TABLE OF CONTENTS

Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 4
BASIC FINANCIAL STATEMENTS:	
Governmental Wide Statement of Net Assets .....	5
Governmental Wide Statement of Activities .....	6
Governmental Fund Balance Sheet .....	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	8
Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance .....	9
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
Statement of Net Assets - Park Fund .....	11
Statement of Revenues, Expenses and Changes in Net Assets - Park Fund .....	12
Statement of Cash Flows - Park Fund .....	13
Statement of Net Assets - Fiduciary Funds .....	14
Notes to the Financial Statements .....	15 - 21
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund .....	22
Fire Fund .....	23
SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	24 - 26



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



July 20, 2005

Township Board  
Claybanks Township  
Oceana County, Michigan

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Claybanks Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Claybanks Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Claybanks Township, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Claybanks Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

**Fremont**  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

**Muskegon**  
950 W. Norton Ave.  
Suite 500  
Muskegon, MI 49441  
Phone (231) 733-0076  
Fax (231) 733-0185

**Hart**  
2332 North Comfort Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

**Whitehall**  
116 W. Colby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6773

[www.hscompanies.com](http://www.hscompanies.com)



The CPA. Never Underestimate The Value.®

July 20, 2005

Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 22 through 23, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Claybanks Township, Michigan's basic financial statements. The additional supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hendon & Slate*

Hendon & Slate, P.C.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **The Township as a Whole**

The Township's combined net assets increased 21% from one year ago. The main reason is that revenues have exceeded expenditures over that period. Please note, the prior audit had not been adjusted for GASB 34. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of government wide data will be presented):

	<u>Governmental Activities 2005</u>	<u>Business-Type Activities 2005</u>	<u>Total Primary Government 2005</u>
Current Assets	\$ 119,971	\$ 13,253	\$ 133,224
Noncurrent Assets	<u>9,404</u>	<u>31,127</u>	<u>40,531</u>
Total Assets	<u>\$ 129,375</u>	<u>\$ 44,380</u>	<u>\$ 173,755</u>
Current Liabilities	<u>\$ 2,086</u>	<u>\$ -</u>	<u>\$ 2,086</u>
Net Assets			
Invested in Capital Assets	\$ 9,404	\$ 25,270	\$ 34,674
Unrestricted	<u>117,885</u>	<u>19,110</u>	<u>136,995</u>
Total Net Assets	<u>\$ 127,289</u>	<u>\$ 44,380</u>	<u>\$ 171,669</u>
Program Revenues			
Charges for Services	\$ 3,370	\$ 49,390	\$ 52,760
General Revenues			
Property Taxes	79,634	-	79,634
State Grants	54,833	-	54,833
Interest Income	1,472	122	1,594
Miscellaneous	<u>13,061</u>	<u>368</u>	<u>13,429</u>
Total Revenues	152,370	49,880	202,250
Program Expenses			
General Government	84,293	-	84,293
Public Safety	29,502	-	29,502
Public Works	10,200	-	10,200
Other Functions	592	-	592
Unallocated Depreciation	1,013	-	1,013
Park	<u>-</u>	<u>47,242</u>	<u>47,242</u>
Total Expenses	<u>125,600</u>	<u>47,242</u>	<u>172,842</u>
Change in Net Assets	<u>\$ 26,770</u>	<u>\$ 2,638</u>	<u>\$ 29,408</u>

## Management's Discussion and Analysis (Continued)

The Township's total net assets continue to remain healthy. Unrestricted net assets is 79% of total expenses. This means the Township could operate approximately nine months with no revenue.

### **Governmental Activities**

The Township's total governmental revenues increased by approximately \$5,700 due to various sources.

Current year expenditures were approximately \$30,000 less than last year. Bridge improvements of \$26,700 were made during fiscal year ended March 31, 2004. Where \$-0- was spent in fiscal year 2005.

Currently Claybanks Township has no long-term debts or commitments for capital expenditures.

### **Business-Type Activities**

The Park Fund has remained stable over the last couple of years. Both March 31, 2005 and 2004 produced a small gain.

### **The Township's Fund**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such a special property tax millages. The Township's major funds for 2005 include the General Fund, Fire Fund, and Park Fund. There are no nonmajor funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board found it necessary to amend the budget for the General Fund to take into account events during the year. In the General Fund, the revenue budget stayed about the same, while the expenditure budget increased approximately \$3,000.

### **Capital Asset and Debt Administration**

At March 31, 2005, the Township had \$85,745 invested in land and buildings. In addition, the Township invested approximately 10% of its total expenditure to maintain roads. These expenses are not considered capital expenditures and thus not reported in the Financial Statements as such. Michigan law treats these roads as the property of Oceana County Road Commission.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2005-2006 will be similar to the 2004-2005 final amended budget. The Township has budgeted an increase in General Fund revenues of \$17,000 or 17% over the 2004-2005 budget. The budget for expenditures has also increased \$17,000 as the Township anticipates a balanced budget.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.



## CLAYBANKS TOWNSHIP

### Government Wide Statement of Net Assets March 31, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 111,005	\$ 13,253	\$ 124,258
Accounts Receivable - Fiduciary Funds	1,000	-	1,000
Taxes Receivable	7,966	-	7,966
Property and Equipment	45,368	33,862	79,230
Accumulated Depreciation	(36,622)	(8,592)	(45,214)
Land	<u>658</u>	<u>5,857</u>	<u>6,515</u>
Total Assets	129,375	44,380	173,755
<b>LIABILITIES</b>			
Accounts Payable	2,066	-	2,066
Due to Other Units	<u>20</u>	<u>-</u>	<u>20</u>
Total Liabilities	<u>2,086</u>	<u>-</u>	<u>2,086</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	9,404	25,270	34,674
Unrestricted Net Assets	<u>117,885</u>	<u>19,110</u>	<u>136,995</u>
Total Net Assets	<u>\$ 127,289</u>	<u>\$ 44,380</u>	<u>\$ 171,669</u>

The Notes to the Financial Statements are an integral part of this statement.

**CLAYBANKS TOWNSHIP**  
Government Wide Statement of Activities  
March 31, 2005

	Program Revenues				Net Revenue (Expenses) and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>Functions/Programs</u>							
Primary Government:							
Governmental Activities:							
General Government	\$ 84,293	\$ 3,370	\$ 54,833	\$ -	\$ (26,090)	\$ -	\$ (26,090)
Public Safety	29,502	-	-	-	(29,502)	-	(29,502)
Public Works	10,200	-	-	-	(10,200)	-	(10,200)
Other Functions	592	-	-	-	(592)	-	(592)
Unallocated Depreciation	<u>1,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,013)</u>	<u>-</u>	<u>(1,013)</u>
Total Governmental Activities	125,600	3,370	54,833	-	(67,397)	-	(67,397)
Business-type Activities:							
Park	<u>47,242</u>	<u>49,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,148</u>	<u>2,148</u>
	<u>\$ 172,842</u>	<u>\$ 52,760</u>	<u>\$ 54,833</u>	<u>\$ -</u>	<u>\$ (67,397)</u>	<u>\$ 2,148</u>	<u>\$ (65,249)</u>
					79,634	-	79,634
Property Taxes					1,472	122	1,594
Interest					<u>13,061</u>	<u>368</u>	<u>13,429</u>
Miscellaneous							
Total General Revenues					94,167	490	94,657
Change in Net Assets					26,770	2,638	29,408
Net Assets - Beginning					100,519	41,742	142,261
Net Assets - Ending					\$ 127,289	\$ 44,380	\$ 171,669

The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Governmental Fund Balance Sheet March 31, 2005

	General Fund	Fire Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 110,563	\$ 442	\$ 111,005
Taxes Receivable	5,278	2,688	7,966
Due from Other Funds	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Assets	<u>\$ 116,841</u>	<u>\$ 3,130</u>	<u>\$ 119,971</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,066	\$ -	\$ 2,066
Due to Other Governments	<u>20</u>	<u>-</u>	<u>20</u>
Total Liabilities	2,086	-	2,086
<b>FUND BALANCES</b>			
Unrestricted	<u>114,755</u>	<u>3,130</u>	<u>117,885</u>
Total Liabilities and Fund Balance	<u>\$ 116,841</u>	<u>\$ 3,130</u>	<u>\$ 119,971</u>

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended March 31, 2005

Total Governmental Fund Balances	\$ 117,885
----------------------------------	------------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	46,026
Governmental Accumulated Depreciation	<u>(36,622)</u>

Total Net Assets - Governmental Activities	<u>\$ 127,289</u>
--	-------------------

The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance March 31, 2005

	General <u>Fund</u>	Fire <u>Fund</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Property Taxes	\$ 53,504	\$ 26,130	\$ 79,634
State Grants	54,833	-	54,833
Interest	1,472	-	1,472
Licenses and Permits	3,370	-	3,370
Miscellaneous	<u>13,061</u>	<u>-</u>	<u>13,061</u>
Total Revenues	126,240	26,130	152,370
<b>Expenditures</b>			
General Government	90,300	-	90,300
Public Safety	6,502	23,000	29,502
Public Works	10,200	-	10,200
Other Functions	<u>592</u>	<u>-</u>	<u>592</u>
Total Expenditures	<u>107,594</u>	<u>23,000</u>	<u>130,594</u>
Excess Revenues Over (Under) Expenditures	18,646	3,130	21,776
Fund Balance - April 1	<u>96,109</u>	<u>-</u>	<u>96,109</u>
Fund Balance - March 31	<u><u>\$ 114,755</u></u>	<u><u>\$ 3,130</u></u>	<u><u>\$ 117,885</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities March 31, 2005

Net Changes in Fund Balances - Total Governmental Funds	\$ 21,776
---	-----------

Amounts reported for governmental activities in the Statement of  
Activities are different because:

The acquisition of capital assets are reported in the governmental  
funds as expenditures. However, for governmental activities those  
costs are shown in the statement of net assets and allocated over  
their estimated useful lives as annual depreciation expenses in the  
statement of activities:

Capital Outlay reported on governmental fund statements	6,007
Capital Outlay reported as expense in Statement of Activities	-
Depreciation expense reported in the Statement of Activities	<u>(1,013)</u>

Changes in Net Assets - Governmental Activities	<u>\$ 26,770</u>
---	------------------

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Statement of Net Assets - Park Fund March 31, 2005

#### ASSETS

##### Current Assets

Cash	\$ 13,253
------	-----------

##### Noncurrent Assets

Land	5,857
------	-------

Buildings	33,862
-----------	--------

Less Accumulated Depreciation	<u>(8,592)</u>
-------------------------------	----------------

Total Noncurrent Assets	<u>31,127</u>
-------------------------	---------------

Total Assets	<u>\$ 44,380</u>
--------------	------------------

#### NET ASSETS

Invested in Capital Assets	\$ 31,127
----------------------------	-----------

Unrestricted	<u>13,253</u>
--------------	---------------

Total Net Assets	<u>\$ 44,380</u>
------------------	------------------

The Notes to the Financial Statements are an integral part of this statement

## CLAYBANKS TOWNSHIP

### Statement of Revenues, Expenses, and Changes in Fund Net Assets - Park Fund March 31, 2005

Operating Revenues	
Camping Permits	\$ 49,390
Miscellaneous	<u>368</u>
Total Operating Revenues	49,758
 Operating Expenses	
Salaries and Wages	21,158
Payroll Taxes	1,619
Supplies	2,458
Security Guards	2,671
Dues and Permits	407
Transportation	131
Printing and Publishing	97
Insurance and Bonds	3,142
Utilities	4,304
Repairs and Maintenance	7,102
Bank Charges	282
Administrative Fees	3,000
Depreciation	<u>871</u>
Total Operating Expenses	<u>47,242</u>
 Operating Income	2,516
 Nonoperating Revenues (Expenses)	
Interest	<u>122</u>
 Change in Net Assets	2,638
 Total Net Assets - Beginning	<u>41,742</u>
 Total Net Assets - Ending	<u>\$ 44,380</u>

The Notes to the Financial Statements are an integral part of this statement



## CLAYBANKS TOWNSHIP

### Statement of Cash Flows - Park Fund March 31, 2005

**Cash Flow from Operating Activities**

Receipts from Customers	\$ 49,390
Receipts from Miscellaneous	368
Payments to Employees	(21,158)
Payments for Other Operating Expenses	<u>(25,213)</u>

Net Cash Provided by Operating Activities 3,387

**Cash Flow from Investing Activities**

Interest	<u>122</u>
----------	------------

Net Increase in Cash 3,509

Cash April 1, 2004 9,744

Cash March 31, 2005 \$ 13,253

**Reconciliation of Operating Income to Net Cash**

Provided (Used) by Operating Activities	
Operating Income	\$ 2,516

Adjustments to Reconcile Operating Income to  
Net Cash Provided (Used) by Operating Activities  
Depreciation

871

Net Cash Provided by Operating Activities \$ 3,387

The Notes to the Financial Statements are an integral part of this statement

**CLAYBANKS TOWNSHIP**

Statement of Net Assets - Fiduciary Funds  
March 31, 2005

	<u>Tax Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 1,000</u>
 <b>LIABILITIES</b>	
Due to Other Funds	<u>\$ 1,000</u>

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Notes to the Financial Statements For the Fiscal Year Ended March 31, 2005

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Claybanks Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Claybanks Township:

In fiscal year 2005, the Township adopted GASB Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.*" requires new basic financial statements for reporting on the Township's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

##### 1. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- b. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- c. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

##### 2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes, which are recognized as revenue in the year for which they are levied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. Property Taxes Receivable

The Township property tax is levied on each December 1<sup>st</sup> on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31<sup>st</sup>. The taxes are due on September 14<sup>th</sup> and February 14<sup>th</sup>, with the final collection date of February 28<sup>th</sup> before they are added to the County tax rolls. The 2004 delinquent taxes of \$7,966 were received in June 2005, thus recorded as a receivable.

## Notes to the Financial Statements (Continued)

The 2004 taxable valuation of the Township totaled \$36,268,539 on which ad valorem taxes levied consisted of 1.1175 mills for general operating, and 0.7227 mills for fire operating raising \$40,082 for operating, \$13,422 for PTAF, and \$26,130 for fire operational. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for operational purposes.

The government reports the following major proprietary funds:

The Park Fund accounts for the operating activities of the park.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for services. Operating expenses for the proprietary fund includes the cost of operating and maintaining the park. All operating revenue and expenses not meeting this criteria are reported as nonoperating revenue and expenses.

#### 4. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

## Notes to the Financial Statements (Continued)

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Restricted Assets - Certain payments to vendors reflect costs applicable to future accounting periods. There were no such items at year-end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements and Sheds	15 years
Office Equipment	5 years
General Equipment	5 years

### NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures in which were materially in excess of the amounts appropriated.

### NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its

Notes to the Financial Statements (Continued)

political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated Shelby State Bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. A public corporation that invests its funds shall not deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States, but not the remainder of State statutory authority as listed below:

Investment pools through an inter local agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

The investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 111,005	\$ 13,253	\$ 1,000	\$ 125,258

The bank balance of the Township's deposits is \$141,246, of which \$120,000 is covered by federal depository insurance, \$21,246 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

## NOTE D CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 658	\$ -	\$ -	\$ 658
Capital Assets Being Depreciated				
Buildings	39,361	6,007	-	45,368
Less Accumulated Depreciation for Buildings	<u>35,609</u>	<u>1,013</u>	<u>-</u>	<u>36,622</u>
Net Capital Assets Being Depreciated	<u>3,752</u>	<u>4,994</u>	<u>-</u>	<u>8,746</u>
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 4,410</u>	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ 9,404</u>
<b>Business Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 5,857	\$ -	\$ -	\$ 5,857
Capital Assets Being Depreciated				
Buildings	33,862	-	-	33,862
Less Accumulated Depreciation for Buildings	<u>7,721</u>	<u>871</u>	<u>-</u>	<u>8,592</u>
Net Capital Assets Being Depreciated	<u>26,141</u>	<u>(871)</u>	<u>-</u>	<u>25,270</u>
Total Business Type Activities Capital Capital Assets - Net of Depreciation	<u>\$ 31,998</u>	<u>\$ (871)</u>	<u>\$ -</u>	<u>\$ 31,127</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>\$ 1,013</u>
Business-Type Activities	
Park	<u>\$ 871</u>

## NOTE E PENSION PLAN

The Township provides pension benefits to all elected officials through a defined contribution plan administered by Municipal Retirement Systems Incorporated. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 12% of each eligible employee's salary to the plan. Participants are not required to contribute to the plan. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township.

The Township's total payroll during the current year was \$66,908 and the total pension, including fees, was \$3,641. The Township's covered payroll amounted to \$24,700.



NOTE F      RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

# CLAYBANKS TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 108,223	\$ 108,223	\$ 96,109	\$ (12,114)
Resources (Inflows)				
Property Taxes	38,526	38,526	53,504	14,978
State Grants	55,000	55,000	54,833	(167)
Cemetery Lot Sales	800	800	1,400	600
Interest	1,050	1,050	1,472	422
Refunds and Reimbursements	1,000	1,000	2,343	1,343
Licenses and Permits	1,448	1,448	3,370	1,922
Miscellaneous	<u>4,846</u>	<u>4,846</u>	<u>9,318</u>	<u>4,472</u>
Amounts Available for Appropriation	<u>\$ 210,893</u>	<u>\$ 210,893</u>	<u>\$ 222,349</u>	<u>\$ 11,456</u>
Changes to Appropriations (Outflows)				
General Government	\$ 74,273	\$ 91,100	\$ 90,300	\$ 800
Public Safety	6,325	6,502	6,502	-
Public Works	10,100	10,200	10,200	-
Other Functions	<u>14,972</u>	<u>899</u>	<u>592</u>	<u>307</u>
Total Charges for Appropriations	105,670	108,701	107,594	1,107
Budgetary Fund Balance - March 31, 2005	<u>\$ 105,223</u>	<u>\$ 102,192</u>	<u>\$ 114,755</u>	<u>\$ 12,563</u>

# CLAYBANKS TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	<u>26,000</u>	<u>26,000</u>	<u>26,130</u>	<u>130</u>
Amounts Available for Appropriation	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 26,130</u>	<u>\$ 130</u>
Changes to Appropriations (Outflows)				
Public Safety	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ -</u>
Total Charges to Appropriations	23,000	23,000	23,000	-
Budgetary Fund Balance - March 31, 2005	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,130</u>	<u>\$ 130</u>

# CLAYBANKS TOWNSHIP

## Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 38,526	\$ 40,082	\$ 1,556
Property Tax Administration Fee	-	13,422	13,422
State Grants	55,000	54,833	(167)
Cemetery Lot Sales	800	1,400	600
Interest on Investments	1,050	1,472	422
Refunds and Reimbursements	1,000	2,343	1,343
Licenses and Permits	1,448	3,370	1,922
Miscellaneous	<u>4,846</u>	<u>9,318</u>	<u>4,472</u>
Total Revenues	102,670	126,240	23,570
Expenditures			
General Government			
Township Board			
Salaries and Wages		2,363	
Taxes and Fringes		7,461	
Printing & Publishing		358	
Dues		629	
Professional Services		9,077	
Office Supplies		432	
Insurance and Bonds		5,268	
Transportation		197	
Miscellaneous		<u>3,895</u>	
	30,301	29,680	621
Supervisor			
Salaries and Wages		6,600	
Education and Training		69	
Transportation		<u>80</u>	
	6,749	6,749	-
Elections			
Salaries and Wages		2,360	
Professional Services		225	
Printing and Publishing		306	
Supplies		59	
Transportation		<u>180</u>	
	\$ 3,131	3,130	\$ 1

Statement of Revenues, Expenditures and Change in  
Fund Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Assessor			
Salaries and Wages		\$ 11,443	
Supplies		707	
Repairs and Maintenance		1,787	
Land Splits		600	
Professional Services		<u>1,495</u>	
	\$ 15,804	16,032	\$ (228)
Clerk			
Salaries and Wages - Clerk		7,200	
- Deputy		844	
Office Supplies		832	
Transportation		629	
Professional Services		199	
Telephone		784	
Education and Training		<u>169</u>	
	10,844	10,657	187
Board of Review			
Salaries and Wages		486	
Printing and Publishing		435	
Transportation		20	
Miscellaneous		<u>21</u>	
	962	962	-
Treasurer			
Salaries and Wages - Treasurer		8,748	
- Deputy		410	
Office Supplies		852	
Transportation		382	
Professional Services		533	
Education and Training		<u>165</u>	
	11,309	11,090	219
Township Hall			
Supplies		426	
Utilities		2,332	
Professional Services		225	
Repairs and Maintenance		905	
Capital Outlay		<u>6,007</u>	
	9,895	9,895	-
Cemetery			
Professional Services		1,100	
Printing and Publishing		405	
Repairs and Maintenance		<u>600</u>	
	<u>\$ 2,105</u>	<u>\$ 2,105</u>	<u>\$ -</u>

Statement of Revenues, Expenditures and Change in  
Fund Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	Favorable <u>Actual</u>	<u>(Unfavorable)</u>
Total General Government	\$ 91,100	\$ 90,300	\$ 800
Public Safety			
Zoning Board			
Salaries and Wages		4,695	
Printing and Publishing		1,549	
Transportation		36	
Education and Training		192	
Miscellaneous		<u>30</u>	
Total Public Safety	6,502	6,502	-
Public Works			
Highways, Streets and Bridges			
Contracted Services - Road Work		10,111	
Supplies		<u>89</u>	
Total Public Works	10,200	10,200	-
Other Functions			
Contingency		<u>592</u>	
Total Other Functions	<u>899</u>	<u>592</u>	<u>307</u>
Total Expenditures	<u>108,701</u>	<u>107,594</u>	<u>1,107</u>
Excess Revenues Over (Under) Expenditures	(6,031)	18,646	24,677
Fund Balances - Beginning of Year	<u>108,223</u>	<u>96,109</u>	<u>(14,803)</u>
Fund Balances - End of Year	<u>\$ 102,192</u>	<u>\$ 114,755</u>	<u>\$ 9,874</u>



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



September 29, 2005

Township Board  
Claybanks Township  
7577 W. Cleveland Rd.  
New Era, MI 49446

Dear Board Members:

In connection with our recent examination of the Financial Statements of Claybanks Township for the fiscal year ended March 31, 2005, we offer the following comments and recommendations:

#### BOOKS AND RECORDS

The Clerk and Treasurer did a great job of maintaining complete, accurate, and well organized books and records. It was a pleasure working with both Mary and Brenda during the engagement. We appreciate the courtesy extended to us during the course of the audit.

#### FIRE FUND

##### Budgeting

According to Public Act 2 of 1968, each special revenue fund must have a separate budget. Currently the Fire Fund is being budgeted as part of the General Fund. We recommend removing the Fire Fund revenues and expenditures budget from the General Fund into its own budget. This will look similar to the Park Fund.

##### Cash

The General Fund and the Fire Fund share a pooled checking account. Money from each fund can be combined into a single checking account, however, the books and records must separately identify the cash belonging to each fund. We recommend creating a new account within Quickbook that will identify the Fire Fund cash from the General Fund cash.

**Fremont**  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

**Muskegon**  
950 W. Norton Ave.  
Suite 500  
Muskegon, MI 49441  
Phone (231) 733-0076  
Fax (231) 733-0185

**Hart**  
2332 North Comfort Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

**Whitehall**  
116 W. Colby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6773

[www.hscompanies.com](http://www.hscompanies.com)



The CPA. Never Underestimate The Value.®

### INVESTMENT POLICY

Public Act 196 of 1997 requires local units of government adopt an investment policy. This policy includes investments in which the Township would be allowed to invest its monies. This investment policy must comply with Michigan Compiled Laws Section 129.91 which identifies authorized deposits and investments. We recommend the Township prepare an investment policy as soon as possible. We will provide the Township with a sample investment policy to aid in preparing and adopting an investment policy.

### MUNICIPAL FINANCE ACT

The State of Michigan requires each governmental unit to file Form 3883-Municipal Finance Qualifying Statement on an annual basis. In the past this form was filed by mail; however, the State has changed it's requirements and now this form must be filed online. Please visit <http://michigan.gov/treasury>. Click on "Local Government", select Municipal Finance then select online qualifying statement. Remember to print a copy for your records.

We would like to thank the board for the opportunity to provide your March 31, 2005 audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions on concerns you may have. We look forward to working with you in the future.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive style.

Jodi DeKuiper, CPA  
Hendon & Slate, PC